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New Zealand

Exporter Guide

2011

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Report Highlights:
New Zealand's imports of consumer-oriented agricultural products have trended upward over the past several years. Imports fell slightly in 2009 to US $1.65 billion, however, it rebounded in 2010 to US$ 1.89 billion. Leading imports from the United States include food preparations, dog and cat food, fresh grapes, frozen meat products, fresh oranges, various sauces and mixed condiments, almonds fresh and dried, fruit mixtures, dry fruits and nuts, fresh pears etc.

Post:
Wellington

Executive Summary:

SECTION I: MARKET OVERVIEW

Overview

New Zealand lies in the southwest Pacific Ocean and consists of two main islands and several smaller islands. It is comparable in size to Japan and has a population of 4.37 million people. It is a largely urbanized society with over half of the population residing in the four largest cities: Auckland, Wellington, Christchurch and Hamilton. According to Statistics New Zealand, approximately one-third of New Zealanders live in Auckland.

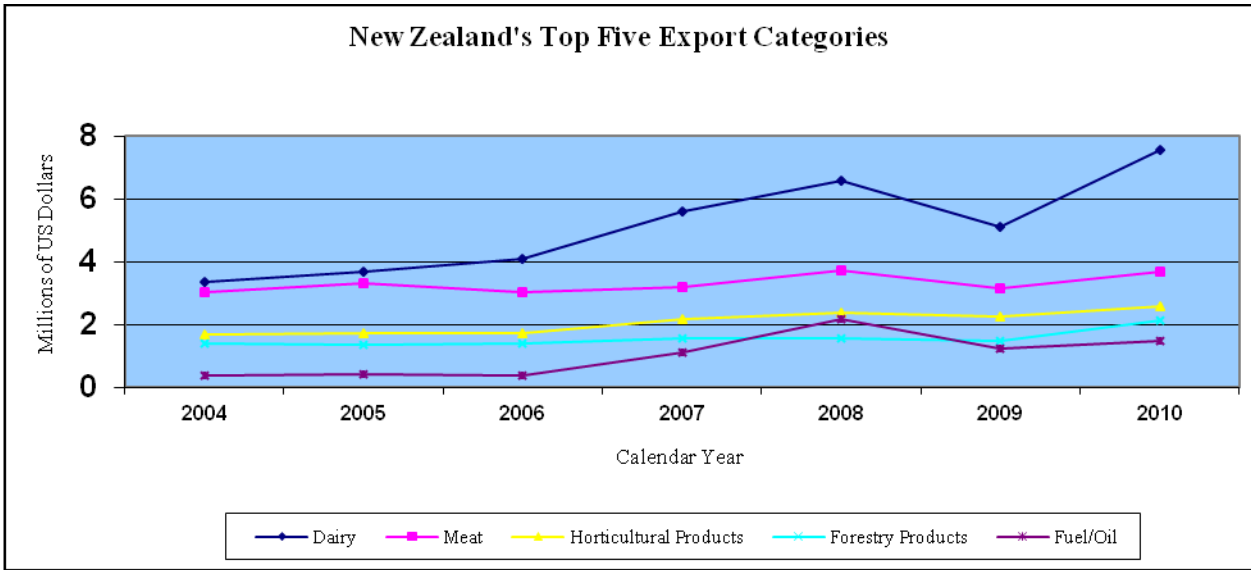
In February 2011, a 6.3 magnitude earthquake struck Christchurch in New Zealand's South Island, causing widespread damage and multiple fatalities. Approximately 70,000 people have left the city since the earthquake. The earthquake slowed down economic development not only in the Christchurch region, but also in the country. Confidence among both businesses and consumers has declined as a result of the disaster.

Economic Indicators				
	2008	2009	2010	2011
Population	4.27 million	4.32 million	4.37 million	4.40 million
Per Capita GDP	32,134	31,341	30,828	31,0221
GDP Growth (%)	3.0%	-1.5%	-0.5%	1.6%
Unemployment Rate	4.7%	7.3%	6.8%	6.4%*
Consumer Price Inflation	3.4%	2.0%	1.7%	4.6%*
Food Price Inflation	9.1%	0.9%	4.2%	1.1%*

Source: Stats New Zealand, Reserve Bank of New Zealand and Global Trade Atlas.
**Notes: GDP is a March 31 year using a chain volume series in 1995/96 prices; (*) Year ending Sept/Oct 2011*
Source: Statistics New Zealand

The majority of New Zealanders are of European descent. However, the country has an increasingly multi-cultural population. According to Statistics New Zealand 2010 figures, the indigenous Mäori are the largest ethnic group accounting for 13% of the total population, followed by Asian New Zealanders at 10%, and Pacific Island New Zealanders at 7%. New Zealanders of European descent account for approximately 69% of the population, down from 83% in 1996.

New Zealand is highly dependent on the primary sector with agricultural products accounting for approximately 55% of total exports. The figure increases to 65% when forestry and seafood are included. An estimated 80-90% of New Zealand's primary production is exported.



Source: Global Trade Atlas

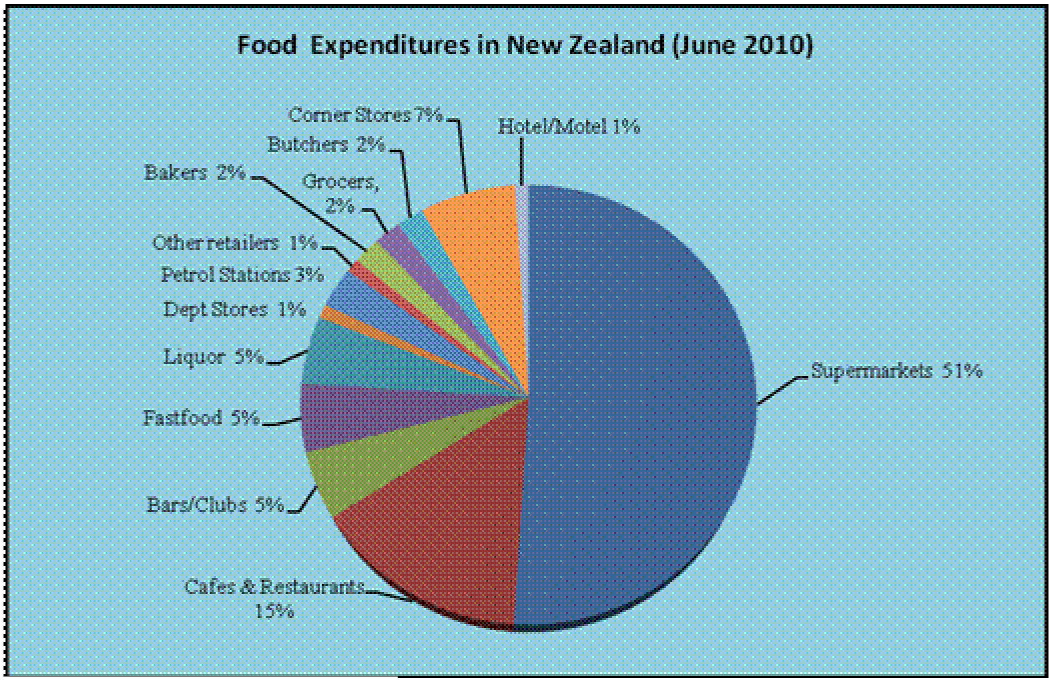
US and New Zealand: Bilateral Agricultural Exports (US Dollars)						
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
US Exports to NZ	174,133,553	170,509,345	210,133,310	245,661,235	232,084,164	265,205,980
NZ Exports to US	2,114,123,630	2,027,205,879	2,076,336,695	2,132,319,138	1,797,572,876	1,944,930,587

Source: Year ending December, Global Trade Atlas

The United States is New Zealand's top destination for agricultural, forestry and fishery exports followed by Australia and Japan. Leading exports include meat, dairy products (milk protein concentrate, casein, and caseinates), wine and lumber. By contrast, New Zealand ranks as the 51st largest market for U.S. agricultural exports. Leading U.S. agricultural exports to the New Zealand market include pet food, food preparations, frozen pork, fresh fruit and dry fruit, and prepared sauces. New Zealand is the fifth largest market for U.S. pet food and USA pears and 8th largest market for peaches, plums and nectarines.

Retail Grocery Sector

The retail grocery market in New Zealand is well developed with supermarkets, small-scale grocery stores, fresh food specialty stores and convenience stores in all of the major population centers. New Zealand's food expenditures in 2010 (June year – *latest available*) were valued at over NZ $26 billion (US $18.72 billion). Approximately 51% of sales, NZ $13.2 billion (US $9.5 billion), were made through supermarkets followed by cafes and restaurants at 15%, corner stores at 7%, fast food outlets at 5%, bars/pubs and clubs at 5%, and other outlets at 17%. *(Source: Coriolis Research, June 20010 report)*

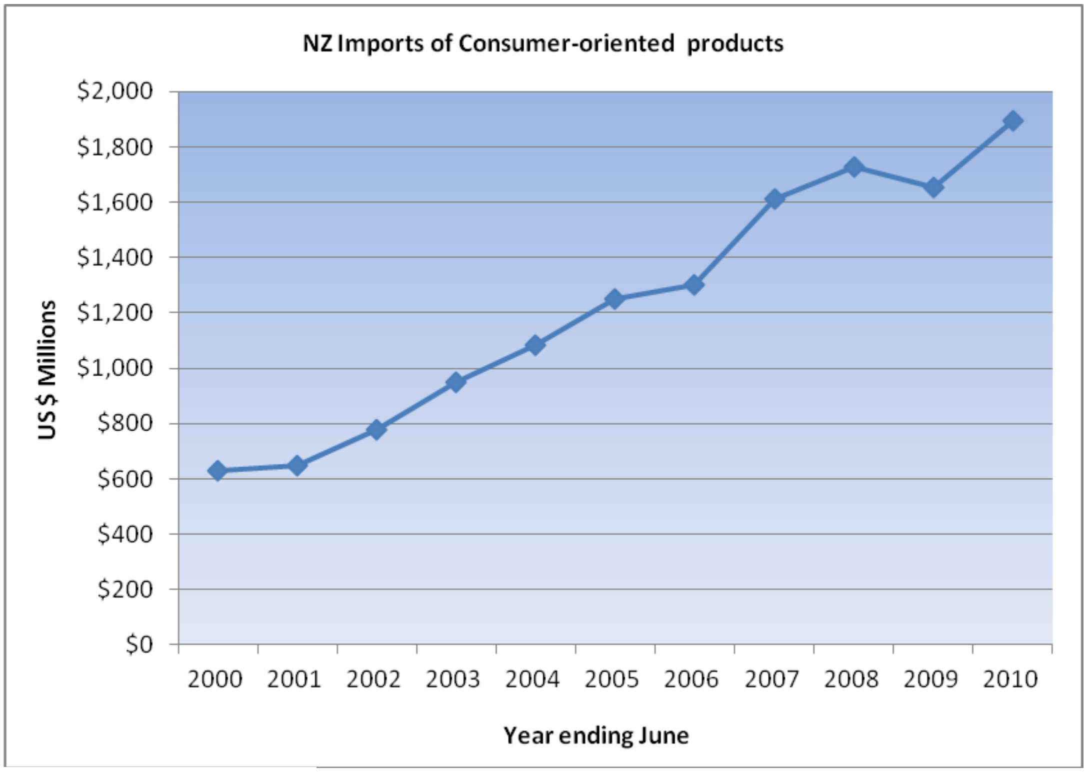


Source: Coriolis Research, June 2010

Consumer-Oriented Food Product Trade

As shown in the graph below, New Zealand's imports of consumer-oriented agricultural products have trended upward over the past several years. Imports fell slightly in 2009 to US $1.65 billion, however, they rebounded in 2010 to US$ 1.89 billion. Australia is by far the leading supplier with a 47% market share followed by the United States at 10% and China at 4%.

Leading consumer-oriented imports from Australia include bread/pastry products, food preparations (including food crystals, powders, nut pastes etc.), wine, cat and dog food, sugar confectionery (including white chocolate), cookies, prepared foods like cereal, non alcoholic beverages etc. Leading imports from the United States include food preparations, dog and cat food, fresh grapes, frozen meat products, fresh oranges, various sauces and mixed condiments, almonds fresh and dried, fruit mixtures, dry fruits and nuts, fresh pears etc. Top imports from China include sugar confectionery products, peanuts, pasta, frozen vegetables, fresh garlic, juices, cookies, tomato paste, preserved peaches and sauces etc. *(Source: Global Trade Atlas)*



Source: Global Trade Atlas

Advantages and Challenges for U.S. Consumer Food Exporters

Advantages	Challenges
Familiar business and cultural environment and no language barriers	New Zealand labeling laws are different from those in the U.S.
U.S. products tend to enjoy a quality reputation along with novelty status	Growing competition from Malaysia and China in the consumer-oriented food category
Minimum barriers to trade including low tariffs ranging between 0 and 5%	Strict phytosanitary/sanitary regulations with regard to fresh produce and meats
Opportunities to market U.S. fresh products during New Zealand's off-season due to the counter seasonal nature of the markets	Consumer foods imported from Australia are duty free, while U.S. products are assessed tariffs between 0 and 5%. Some Canadian products have preferential tariff treatment.
Some supermarkets make individual buying decisions	
Ease of doing business and size of market make it a good fit for new-to-export and small to medium companies	New Zealand retail market is highly consolidated and dominated by two supermarket chains
NZ practices a science-based approach to trade	Distance from United States results in high transportation costs

SECTION II: EXPORTER BUSINESS TIPS

- New Zealand is a well-developed market. Establishing good working relationships with importers/distributors is key to entering the New Zealand marketplace. Approximately 90% of all imported food products are purchased and distributed within New Zealand by importers/distributors.
- New Zealand supermarkets mainly purchase imported products from importers and distributors rather than importing directly. In the case of Foodstuffs, interested U.S. exporters should contact each of the regional offices directly as they can make buying decisions independently of each other. (Please see Section V for contact information.)
- Tariffs assessed on U.S. food products range from zero to 5%. Tariff rates can be checked at on the New Zealand Customs website. New Zealand Working Tariff Document
- General sales tax (GST) on domestic and imported products is 15%.
- The cost of international freight can be a fairly significant percentage of the final cost of a product. U.S. exporters can contact freight forwarders in the United States to determine transportation cost. New Zealand importers and distributors can arrange shipment with the help of customs brokers in New Zealand.
- For complete guide on import duties and charges, please check this link New Zealand Customs duties and charges
- High quality products with innovative packaging and unique features that are price competitive tend to do well in the New Zealand market.
- Fresh U.S. produce is an especially welcome addition to New Zealand retail shelves during winter in the Southern Hemisphere.
- Innovative, environmentally-friendly packaging has an advantage in retail food products.
- New Zealand has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. U.S. exporters are encouraged to review the Food and Agriculture Import Regulations and Standards (FAIRS) report for New Zealand which contains detailed information on New Zealand's food standards, labeling requirements, import regulations, etc. This report can be viewed at the following site: http://www.fas.usda.gov/scriptsw/attacherep/default.htm

SECTION III: MARKET STRUCTURE AND TRENDS

Market Structure

Two supermarket chains, Foodstuffs (NZ) Limited and Progressive Enterprises Limited, dominate the New Zealand retail sector. Foodstuffs (NZ) Ltd. has an estimated 55% share of the New Zealand grocery market and Progressive Enterprises has an estimated 42% share.

New Zealand Retail Market Distribution

Supermarket Group	Ownership	Market Share	Store Names
Foodstuffs (NZ) Ltd	New Zealand owned; made up of three independently owned co-operatives	55%	• New World- Full service supermarkets • Pak'n'Save- Foodbarn/retail food warehouses • Write Price- Foodbarn/retail food warehouses • Four Square- Convenience grocery stores • On the Spot- Convenience stores
Progressive Enterprises	Owned by Woolsworths Limited (Australia)	42%	• Woolworth- Full service supermarkets • Foodtown- Full service supermarkets • Countdown- Discount supermarkets • Supervalue- Conveniece grocery stores • Fresh Choice-Fresh and gourmet food stores • Woolworth Quick & Micro- Convenience stores
Independent Grocery Stores	New Zealand Owned	3%	• Ethnic Shops • Asian Grocery stores • Independent Green Grocers

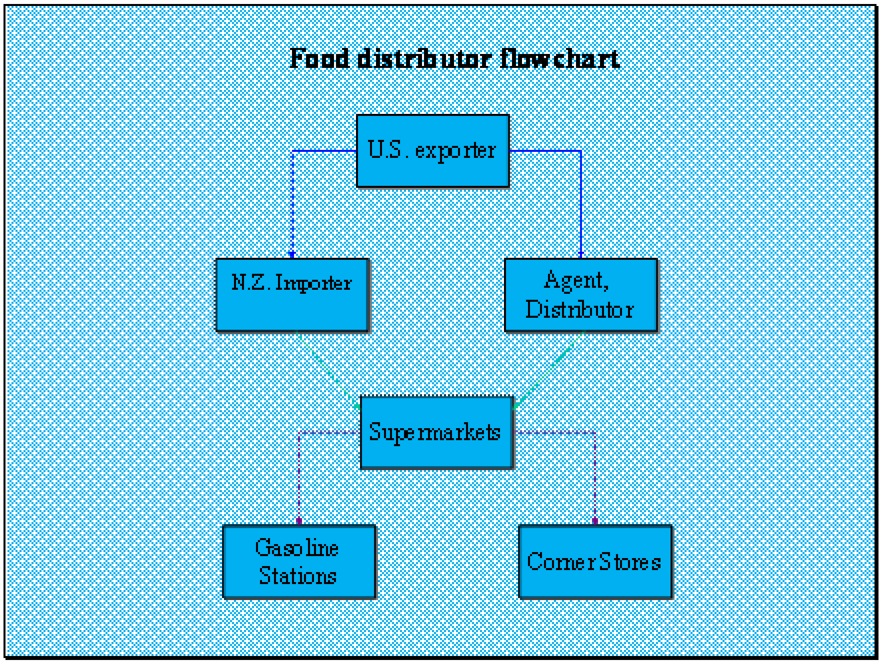
Source: Coriolis Research, June 2010

Foodsuffs (NZ) Limited has 721 stores including 45 Pak N Save, 132 New World, 282 Four Square, 147 On the Spot, 3 Write Price, 1 Shoprite, 75 Liquorland, 3 Duffy & Finns, 17 On the Spot Express and 16 Henry's Beer Wine and Spirit. The organization is comprised of three regional cooperatives: Foodstuffs (Auckland) Co-operative Society Limited, which covers the middle to upper North Island; Foodstuffs (Wellington) Co-operative Society Ltd, which covers the southern half of the North Island; and Foodstuffs (South Island) Co-operative Society Limited, which covers the entire South Island. Interested U.S. exporters should contact each of the regional Foodstuffs offices as they make some buying decisions independently of each other. (Please see Section V for contact information.)

Progressive Enterprises Limited, a subsidiary of the Australian company Wooldworths Limited, has a 42% share of the New Zealand grocery market. Progressive Enterprises has 48 Woolworths stores, 25 Foodtown, 77 Countdown, and 22 Woolworths Micro and Quickstop convenience stores. Most purchasing decisions are made at its headquarters in Auckland but some are made by Woolworths Australia.

U.S. exporters interested in supplying the New Zealand market can work with importers, distributors or import brokers that target food category/merchandise managers at major wholesalers and supermarket chains. Indicative margins (as a guide only) for New Zealand importers/distributors are as follows:

-Importers: 5-20% of gross margin (i.e. percent of wholesale value)
-Distributors: 10-30% of gross margin (if funding promotional activities)
10-20% of gross margin (if not funding promotional activities)
-Supermarkets: 15-20% of the wholesale value (depending on the category)
-Independent Grocers: 30-40% of the gross margin



Market Trends

- Following are the top 10 consumer shopping trends in New Zealand for 2011 *(FMCG, June 2011):*
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1) *Humane consideration* – A number of surveys revealed that New Zealand consumers are placing more importance on humane or ethically produced food i.e. free-range, cage-free and cruelty-free products.
2) *Smart phones* – Smart phone technology is becoming popular, from searching food products or purchasing goods online to in-store information and promotions. One growing trend used by retailers, is to have store wine lists and suggested food matches available on phones to help shoppers choose the best option.
3) *Seasonal foods* – There is a growing trend to purchase local produced seasonal foods, instead of stocking many food items all year round.
4) *Craft Beer* – While beer consumption in New Zealand dropped 2.2 percent in 2010, sales of craft, boutique and imported beers showed strong growth. Consumers are drinking less but are often looking for more choice, variety and taste in their beer.
5) *Cooking at home* – Due to economic slowdown in New Zealand, consumers are often cooking at home. Popularity of cooking shows on Television, consumers are becoming adventurous and looking for a range of ingredients and opting out of ready-made meals.
6) *Gourmet sausages* – There is a growing trend in New Zealand to buy gourmet sausages made from quality ingredients. Consumers are moving away from low quality meat used in sausages.
7) *Comfort food revival* – Popularity of electrical gadgets like Slow Cookers etc has encouraged consumers to go back to hearty/comfort foods such as Lasagna, meatballs, stews, macaroni-cheese and fish pies.

8) *Gluten Free food* – In New Zealand, 1 percent of the population suffer from coeliac disease and are required to eat gluten free diet, however, marketing of gluten free as a 'healthier' choice is attracting consumers to look for gluten free products.
9) *Healthy snacking* – New Zealand consumers are looking for healthier snacks like healthy bars, nuts, fruits and mineral water to replace processed foods such as cakes and cookies.
10) *Vegetarian options* – Another growing trend is eating less meat and opt for vegetarian diet, trends such as "meatless Monday" or "Tofu Tuesdays" are part of the trend to eat less meat. Some schools and households are going meat-free at least one day week.

- A survey of 1,000 New Zealand households, conducted by the Nielsen Company on "What influenced shoppers in their choice of a food store" suggested that although 'low prices' was the fourth most important factor when choosing the store, ahead of it were convenience of finding products; value for money and availability of products at one place. *(NZ Consumer magazine, 2010)*
- New Zealand consumers are considered price conscious shoppers. More than half the supermarket items scanned through the checkouts in New Zealand are products that are on specials or discounted, compared to 25 percent in the United States. *(NZ Herald, Oct 2011)* .
- A Food Service survey conducted by the Unilever Food Solutions suggests that 63% New Zealand consumer will like to have more information about the nutrients and ingredients in their meal when eating out, in comparison to 73% in the UK and 70% in the USA and 55% in Germany.
- New Zealand held the Rugby World Cup event in September 2011. Approximately, 133,000 visitors attended this event from overseas. Supermarket and accommodation sector saw the maximum growth, in comparison to other retail sales outlets. Grocery sales rose by 3.8%, specialist food by 5 percent and liquor sales increased by 3.5% in September quarter. Cafes and bars were also benefited by this event, sales rose by 1.7 percent (*NZ Herald, Nov 2011)*
- As of June 2010 (latest available), New Zealanders spent an average of NZ $1,010.00 per week. Of this, 17.5% or NZ $177.70 was spent on food. Approximately 44% of the weekly average expenditure on food was spent on grocery items; 11% on fresh fruits and vegetables; and 13% on meat, fish and poultry. Nearly 24% of the weekly budget was spent on restaurant and take out meals and 5 percent was spent on non-alcoholic beverages. (*Source: Household Economic Table, June 2010, Statistics New Zealand)*
- It is estimated that one in four New Zealanders suffer from some form of food intolerance, including gluten. The findings also confirm that New Zealand has the world's highest rates of allergy or food intolerance sufferers, including asthma, coeliac, wheat, dairy and egg allergies. The most common foods that accounted for 90% of all allergies or intolerances are: milk and dairy products; wheat and other gluten products such as rye, spelt, and barley; eggs; peanuts, walnuts and cashew nuts; fish and shellfish; soy products.(Euromonitor, Nov 2011)
- Private label sale in the New Zealand's supermarket is estimated to be about 15-16 percent, in comparison to Australia's 17-18 per cent and the UK in mid-40 per cent range. *(NBR, Nov 2011)*

Section IV: Best Consumer Oriented Product Prospects for US Exporters

Product Category	Total Imports 2010 (US $1,000)	5 Year Average Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Fresh Grapes	$18,381	8%	Free	NZ is a small market; competition from Chilean and Australian grapes.	High growth potential. Consumers want fruits to be available year round.
*Fresh Fruits **(apricots, cherries, peaches, plums)***	$5,375	10%	Free	Some consumers have a slightly negative quality perception of imported fresh fruits.	U.S. can supply counter-seasonal fruit. Consumers want fruits to be available year round.
Pears	$4,764	8%	Free	Consumer resistance to unfamiliar varieties.	NZ is one of the first markets to get the fresh pear crop.
Citrus Fruit	$19,630	8%	Free	Small market	New Zealand consumers appreciate quality of U.S. citrus.
Fruit and vegetable Juice	$44,322	10%	5-7%	U.S. products are expensive compared to products from some competitor countries.	Value-added juices/ concentrates with health and nutritional benefits have potential to grow.
Processed Fruits & Vegetables	$218,337	9%	0-5%	U.S. products are not always price competitive with product from China and other competitors.	U.S. has a reputation of supplying good quality product. To be successful, product must be price competitive.
*Dry Fruit **(dates, figs, raisins)***	$26,837	11%	Free	U.S. is price competitive in raisins; faces tough competition in dates/figs category.	Expanding demand for good quality and healthy foods.
*Dry Nuts **(almonds/ walnuts/ pistachios)***	$43,380	11%	Free	Competition from Australia and other countries; need to be price competitive to maintain market share.	U.S. dry nuts are considered high quality. Market share can be expanded if price competitive and promoted as healthy and nutritional snack food.
*Snack food **(confectionery, cocoa product, cookies)***	$273,762	13%	0-5%	Australia is a leading supplier. Australia and New Zealand enjoy similar tastes/flavors in snack items.	Strong demand for convenience and snack food.
Breakfast Cereal	$46,186	8%	Free	Strong competition from Australia.	Strong demand.
Pet Food	$75,753	9%	0-5%	Price competitive products from Australia.	Strong demand for premium products.
Wine	$103,222	2%	5%	Lack of importers handling U.S. wines	American style Zinfandel and Cabernet Sauvignon

					have potential to expand in this market.

Section V: Key Contacts

Agricultural Affairs Office
Foreign Agricultural Service
U.S. Department of Agriculture
American Embassy
29 Fitzherbert Terrace
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